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Thomas P. Glynn, Ph.D.
Chief Operating Officer

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Commissioner David Morales
Division of Health Care Finance and Policy
2 Boylston Street
Boston, MA 02116

Dear Commissioner Morales and other members of the panel,

I would first like to apologize that Dr. Slavin is unable to be here today. Dr. Slavin appreciated the invitation to participate in this very important discussion on factors contributing to health care costs, but unfortunately he is out of town due to a longstanding commitment. My name is Thomas Glynn, Chief Operating Officer for Partners HealthCare.

To provide some context for my perspective, perhaps I should mention that I served in the Clinton Administration as Deputy Secretary of the U.S. Department of Labor which oversees ERISA. Earlier in my career, I served as Deputy Commissioner of the Massachusetts Department of Public Welfare under Governor Dukakis during a time when Medicaid was under the Welfare Department. In addition, I chaired the Mayor's Health Care Commission from 1992 to 1993 which initiated a process that ultimately brought Boston City Hospital and University Hospital together to create Boston Medical Center.

Partners HealthCare System welcomes this community dialogue on the many factors contributing to rising health care costs in Massachusetts and at the national level. We look forward to working with all key stakeholders – providers, insurers, businesses, consumers, and state government leaders to develop evidence based, sustainable, long term solutions to ensure that Massachusetts patients maintain access to high quality health care that is also affordable.

We applaud Senate President Therese Murray for bringing the issue of health care costs to the forefront of public discussion through Chapter 305 of the Acts of 2008, *An Act to Promote Cost Containment, Transparency and Efficiency in the Delivery of Quality Health Care*.

We congratulate Governor Patrick and his Administration for their ongoing data driven review and analyses of factors influencing health care costs, premiums, and the structure of the current marketplace. Such data is needed to take a deliberate and effective approach to reforming the state's health care system – an economic engine that is a critical component of

our economy - employing one out of every six workers and contributing a significant 13% of the state's \$365 billion Gross State Product. Without the correct diagnosis of the problem, we are likely to get the wrong remedy.

We therefore applaud the Patrick Administration for commissioning several analyses and engaging multiple experts to peel away the complex layers of the health care cost puzzle in efforts to develop solutions, including:

- 1) the RAND Corporation, August 2009 analysis, Controlling Health Care Spending in Massachusetts: An Analysis of Options, which reviews twenty-one cost containment policy options and quantifies potential savings associated with each of them;
- 2) the Division of Health Care Finance and Policy, February 2010 cost trend reports, which include analyses conducted by Brandeis Heller School for Social Policy and Management, Mathematica Policy Research Inc., and Oliver Wyman Actuarial Consulting, Inc. on the Massachusetts health care delivery system, premium, and health spending trends;
- 3) the hearings conducted by the Division of Insurance over the past few months to investigate factors leading to increases in the cost of health insurance and specifically premium increases in the small group market; and
- 4) the analysis Commissioned by the Health Care Quality and Cost Council in September 2009 that evaluates the impacts of freezing provider payment rates and health insurance premiums.

Today, Partners HealthCare would like to endorse the rigorous and thoughtful analyses conducted by the RAND Corporation and the cost trends report done by Brandeis' Heller School for Social Policy and Management. These reports highlight important factors contributing to health care spending and premium increases in Massachusetts and provide data-driven analysis from which evidence based solutions should be developed when considering policy options. These analyses also highlight the challenges of recommending a one-size fits all policy solution, when as the reports show, there is great variability in what is driving cost trends. There is also great variability in the ranges of predicted savings and sometimes limited empirical and theoretical evidence to reach definitive conclusions.

Partners HealthCare supports the RAND analysis which shows the following ways to address cost drivers:

- Bundled payments could be the most promising payment reform option to reduce spending. Bundled payments, in the form of episode-based payments, would create appropriate incentives for hospitals, post-acute facilities, and physicians to coordinate care and improve quality. The analysis projects a broad range of projected savings from \$685 million to \$39 billion over ten years.
- The medical home is a promising policy option to begin changing the way care is delivered, specifically strengthening the role of primary care in coordination of patient care. Although upfront investments may need to be made, the RAND analysis predicts that widespread implementation of medical homes could achieve savings through managing chronic disease more efficiently and increasing access for patients. Partners has implemented the primary care medical home model at a number of our primary care practices to encourage a team based approach when providing a comprehensive set of

services. Partners believes that the primary care medical home is a first step at enabling change in the way we deliver care and is a priority for our system.

- Health information technology has great potential for savings over the long term and although adoption requires upfront investments, long term savings and impacts on quality could be significant. During the past ten years, Partners has made significant investments in the electronic medical record system to improve quality of care for patients and increase efficiency of providers. We have achieved our goal – a priority set in 2003 - of having all community primary care and specialist physicians on the electronic medical record. We support the RAND analysis showing that health information technology enables other cost containment strategies to be implemented, ultimately leading to increased efficiency, reduced medical errors, reduced duplication of services, and improved quality for patients.
- An example for which electronic medical records are important - greater savings are achieved through implementation of computerized physician order entry (CPOE) which provides prompts for physicians and nurses in the ordering and administration of pharmaceutical drugs. A study by Dr. David Bates showed a savings of \$17 million, which includes \$4.9 million in expensive drug guidance, during the first 10 years of implementing its CPOE program at Brigham and Women's Hospital.
- Hospital rate setting has limited to no potential to reduce spending and the most comprehensive study in the literature shows that rate setting has no impact on hospital costs. The analysis predicts cumulative spending to implement rate setting could range from a *spending increase* of \$57 million to a reduction of \$26 million over ten years.

The Brandeis Health Care Cost Trend Report provides a well-balanced, comprehensive analysis of factors contributing to health care costs in Massachusetts. We acknowledge that these factors play a role in underlying cost trends and have proposed solutions to address these issues. As the analyses indicate:

- Health care is a major economic engine for Massachusetts, bringing the highest per capita funding of NIH dollars to MA compared to other states, providing more jobs than any other sector, and driving the biotechnology and pharmaceutical innovation economies.
- Massachusetts has a high concentration of medical personnel, including specialists and residents.
- A large proportion of care is provided in academic medical centers.
- Due to the state's commitment to ensure access to care for all residents, we can proudly say that Massachusetts has the highest insurance rate in the country with over 97% of the population insured - and we agree, as the report states, that broader coverage and more generous benefits contribute to cost growth as well.
- The predominant payment method for paying physicians and hospitals in Massachusetts is via fee-for-service methodologies which provide limited incentives for providers to increase efficiency or improve quality of care. Partners agrees that fee-for-service payments not linked to performance are a factor contributing to increasing cost trends and that is why Partners has pay for performance contracts with major commercial payers. We understand that pay for performance is not an end in itself, but rather an important first step to changing the delivery of care. Dr. Gottlieb will discuss further details

tomorrow about the limitations of the current fee-for-service system and how we propose to change it.

- Digital mammography is a leading cost driver of outpatient hospital care – accounting for the largest share of growth in hospital outpatient expenditures between 2007-2008.

The challenges of managing health care costs is a national issue and not unique to Massachusetts. In this light, and as the Brandeis report highlights, the growth trend for health care spending in Massachusetts is similar to the U.S. In addition, after adjusting for higher incomes, housing, utilities and other necessities, Massachusetts personal health care spending is 13% of GDP – ranking not at the top, but in the middle of the fifty states. This is especially striking given that Massachusetts labor, utility, and real estate costs are significantly higher than the national average and an estimated 70% of hospital costs are comprised of personnel costs including salary and wages, the space in which people work, and benefits.

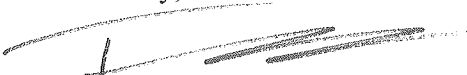
For our part, Partners HealthCare has tried to contribute to the inventory of solutions to further the community dialogue and to solve the difficult challenges facing the health care system today. Dr. Gottlieb, Partners President and CEO, will provide specific solutions as part of his testimony tomorrow. However, a brief review of Partners history in this regard includes the following:

- Partners immediate past President and CEO, Dr. James Mongan served as Chairman of the Commonwealth Fund's report, Bending the Curve: Options for Achieving Savings and Improving Value in U.S. Health Spending, published in 2007 which provides an analysis of fifteen cost management policy solutions and their potential for lowering health spending over the next fifteen years.
- Partners HealthCare in collaboration with the Brandeis Heller School for Social Policy and Management, the Boston Chamber of Commerce, and Blue Cross Blue Shield of Massachusetts sponsored a series of seminars in 2007 and 2008 that evaluated strategies for managing future growth in health care spending based upon evidence and data provided by key experts in the field. Experts invited to lead seminars included Stuart Altman, Ph.D. Brandeis Heller School for Social Policy and Management, Joseph Newhouse, Ph.D. Harvard University, Michael Chernew, Ph.D. Harvard Medical School, Glen Steele, M.D Geisinger Health System, Delia Vetter, EMC Corporation, Steven Pearson, Institute for Clinical and Economic Review, and Frank Sloan, Duke University. These seminars were attended by an average of fifty state officials and health care stakeholders.
- In 2008, Partners joined other stakeholders in discussions to create a new coalition that would develop actionable solutions for managing health care costs. These discussions led to the creation of the Employers Action Coalition on Healthcare (EACH), a collaborative private sector effort to identify strategies to reduce the rate of increase in Massachusetts commercial health care spending by a significant percent by 2012. Areas of focus include: 1) Reducing administrative complexity; 2) Reducing unwarranted variations in care; 3) Comparative effectiveness; and 4) Employer strategies, including wellness and employee management.

- Dr. Mongan’s Op-Ed published in the Boston Globe on March 16th, 2009 recommends four steps to solving surging health care costs including reimbursement reform, electronic medical records, disease management, and effectiveness review.
- Dr. James Mongan in collaboration with Dr. Tom Lee, Partners Network President, published a book in 2009 entitled Chaos and Organization in Health Care which proposes the solution of *organization* to solve rising health care costs and quality challenges. Lee and Mongan propose that organized care delivery systems will facilitate the use of multiple strategies such as electronic medical records, peer review, team-based care, and disease management programs which will encourage health care providers to become participants of effective care delivery organizations able to manage costs and improve quality.

As the community dialogue continues and the pressures mount to push policy makers to develop solutions, we need to ensure that the true key drivers of cost growth are the targets of policy solutions aimed at curbing them. The Patrick Administration, the Legislature, and all stakeholders have a challenging task ahead of ensuring that their solutions *will* reduce the rate of spending in Massachusetts while preserving the economic engine that is so critical to our workforce, our patients, and our future economic prosperity. We look forward to working with the Patrick Administration, the Attorney General, and the Legislature to identify key health care cost drivers in Massachusetts and to develop solutions to tackle them.

Sincerely,



Thomas P. Glynn